

complete compliance with the applicable laws and ordinances. The ABC Enforcement staff is now conducting required background investigations. Every legal known source is being utilized for these investigations including state and local judicial, corrections and law enforcement systems.

Policies, procedures and processes for all division activity are currently being developed. Many pre-existed the merger with Public Protection and can still be used. Checklists for all application process activity have been developed and are currently being used. Policies and procedures for the Public Protection office activities previously not conducted by IPL / ABC / L&P are in draft stages and have not been officially approved due to the changes still taking effect that will alter these policies and procedures, delay due to recent changes such as our move to 810 Barret Avenue, the spring semiannual ground transportation inspections and the Kentucky Derby Festival and Derby events and activities that have drawn our staff away from internal activities in order to provide the necessary customer service and enforcement coverage required for these events and activities. Completion of the detailed policies and procedures will be forthcoming and should be finished and approved soon.

Alcoholic Beverage Control

Scope

Key Public Protection personnel were interviewed in order to review the operational administration of alcoholic beverage control (ABC) licenses and fines. This included the processing, records management, and monitoring associated with licensing administration.

Eleven licensee and violation files were judgmentally selected from the period of December 1, 2001 through November 30, 2002. The review consisted of examining required processing forms and records management to determine the completeness and appropriateness of activity processed. The required processing forms reviewed were:

- Complete application
- Copy of advertisement placed in local newspaper
- Tax Clearance form
- Lease (if renting)
- Articles of Incorporation (if applicable)
- Zoning compliance
- Background check
- Diagram of premises

The following concerns were noted.

Observations

There were some problems noted with the administration of alcoholic beverage control activity. As a result, the internal control structure is weakened and its effectiveness impaired. Examples of problems include the following.

- The Public Protection Division receives alcoholic beverage control applications and the associated fees. After a licensee has successfully completed the approval process, the fees are transferred to the County Clerk who actually issues the licenses. Ultimately, the County Clerk deposits the fees, less a minimal fee of \$1 per license, to the County Treasurer. The receipts are posted to the government's general fund. Several problems were noted with this activity.
 - Application fees are held in a file cabinet until they are presented to the County Clerk. This does not provide adequate security for the funds held and increases the risk of loss.
 - License records do not include the date funds are sent to the County Clerk. This makes it difficult to determine when funds were actually transferred.
 - Fees may be prorated if the license is not for a full year. However, prorated fees are not authorized / referenced in the applicable ordinance.
- The efficiency of alcoholic beverage control licensee records management could be improved. Information is recorded in three manners that duplicate the data (e.g., two computer files and the hardcopy case file).

- The examination of alcoholic beverage control licensee files revealed a couple of weaknesses. State statute, Jefferson County ordinance and the Public Protection Division require certain documents for the approval of alcoholic beverage control license applications (e.g., complete application, zoning compliance, background check, and diagram of the premises). The following problems were noted.
 - One case was noted in which the zoning compliance, background check, and diagram of premises were not found.
 - In another three cases, a diagram of premises was not found in the licensee file.
- Public Protection staff may respond to information inquiries from the public (e.g., potential employers, etc.). These requests are normally made to determine the eligibility of an individual to sell alcoholic beverages. Two concerns were noted regarding these services.
 - Information provided to the public may not be based on the official records. In these cases, Public Protection staff reference a website provided for public use, instead of the official database.
 - The format used to document inquiries includes sensitive information (e.g., social security number) that may not be necessary to adequately respond to the inquiry.

Recommendations

Appropriate Inspections, Permits and Licenses personnel should take corrective action to address the concerns noted. Specific recommendations include the following.

- Fees collected should be deposited to the bank immediately. Funds could be transferred between bank accounts as necessary (wire transfers). This would help safeguard the funds and accurately reflect the information on the financial statements.
- License fees should be charged in accordance with the applicable ordinance.
- Fee collections should be monitored for accuracy. In addition to the staff processing the transactions, routine supervisory review should be performed to assess the completeness of files and the accuracy of the activity.
- The filing practices should be assessed to determine their efficiency and effectiveness. A single computer file format, supplemented by the hardcopy file, would be the most efficient.
- Information contained in files, both computer and hardcopy, should be adequate to address routine reference needs. This includes specific licensee information, along with payment documentation.
- It may be beneficial to develop a checklist that notes all required documents for each file. This would provide personnel an effective method of verifying / reviewing files for completeness.
- The ABC office should refer to the ABC Tracker database for the most accurate and up to date clerk eligibility information. While the website information is obtained from the database, official responses should be based on the office files to ensure accurate, updated information is provided.

- Sensitive information should be excluded from correspondence between the ABC office and licensees unless it is absolutely necessary.

Department of Inspections, Permits and License Response

As described in the revenue management section, all fees collected are now being deposited with the Department of Finance daily and all fees charged are now in compliance with the ordinance. Again, during the upcoming ABC renewal period, all fees charged will be correct fees allowed by the recently revised ordinance. The fee collections are now being monitored daily for accuracy. All ABC licensee files will also reflect the proper and necessary documentation required by ordinance including fees charged and other required information. No ABC fees will be prorated except in accordance with state law and ordinances. Information contained in the licensee files as well as computer systems will contain adequate information to address routine reference needs. This information will also be updated as information changes or new information develops. Checklists noting all required documents for each file have been completed and are being used at this time.

The ABC Tracker database is still being maintained, however, the website information has been removed, awaiting changes that will evolve as the former City of Louisville and Jefferson County websites merge into the new Louisville Metro Government website. Upon completion of our merger evolution and as our division policies, procedures and processes, new and correct information will be included in the new website. All sensitive information is now being excluded from correspondence in accordance with Metro, Departmental and Divisional policies and procedures.

Escort Bureau

Scope

Key Public Protection personnel were interviewed in order to review the operational administration of escort bureau licenses. This included the processing, records management, and monitoring associated with licensing administration.

Two licensee files were judgmentally selected from the period of March 1, 2001 through February 28, 2002. The review consisted of examining required processing forms and records management to determine the completeness and appropriateness of activity processed. The required processing forms reviewed were:

- Complete application
- Background checks / background investigation
- Fingerprints
- Registration with Metro Revenue Commission
- Proof of age
- Referral slip from employer

The following concerns were noted.

Observations

There were some minor problems noted with the administration of escort activity. However, the overall internal control structure is satisfactory. Examples of concerns include the following.

- According to Public Protection staff, owners of escort bureaus are not charged the \$100 fee for work identification cards. This fee is authorized by the related ordinance.
- Certain documents are required by ordinance before applicants are approved for a license (e.g., application, fingerprints, proof of registration with the Louisville Metro Revenue Commission, proof of age, and two background checks / investigation documentation). The licensee files examined did not contain all of the required documentation.
 - In one case, current background checks, fingerprints, and proof of registration with the Louisville / Jefferson County Revenue Commission were not present in the file.
 - In a second case, current background checks and proof of age were not present in the file.

Recommendations

Appropriate Inspections, Permits and Licenses personnel should take necessary action to address the issues noted. Specific recommendations include the following.

- IPL personnel should determine if there is a legitimate reason the fees are not charged in accordance with the ordinance. If there is not, the fee should be charged. If there is, it should be documented.
- Information contained in files, both computer and hardcopy, should be adequate to address routine reference needs. This includes specific licensee / business information, along with payment documentation.
- It may be beneficial to develop a checklist that notes all required documents for each file. This would provide personnel an effective method of verifying / reviewing files for completeness.
- Routine supervisory review should be performed to assess the completeness of files and the accuracy of the activity.

Department of Inspections, Permits and License Response

Immediately upon discovery of the escort bureau owners not being charged for work identification cards, license and permitting staff were instructed to begin charging the proper fee according to the ordinance. A checklist of required documents has already been developed for escort bureau applicant files and is currently in use. The forthcoming development of final policies and procedures will also include this information and require that all files be properly documented with the information set forth in the ordinance. Routine supervisory review has also been implemented to insure completeness of file information and accuracy of activity.

Armed Security

Scope

Key Public Protection personnel were interviewed in order to review the operational administration of armed security licenses. This included the processing, records management, and monitoring associated with licensing administration.

Two licensee files were judgmentally selected from the period of July 1, 2002 through October 31, 2002. The review consisted of examining required processing forms and records management to determine the completeness and appropriateness of activity processed. The required processing forms reviewed were:

- Complete application
- Background checks
- Mental Inquest form
- Certification of required training (armed security employees)

Agency / Company only:

- Proof of liability insurance
- List of armed security employees terminated within the last year
- Photographs of all uniforms, badges, patches and insignia

The following concerns were noted.

Observations

There were some minor problems noted with the administration of armed security activity. However, the overall internal control structure is satisfactory. Examples of concerns include the following.

- Criminal background checks are required for individuals requesting armed security licenses. Background check requests for the City of Louisville are sent and received through inter-office mail. The inter-office mail may not be sufficient to prevent unauthorized individuals access to this confidential information (social security number, background check results, etc.).
- License statuses are not monitored in an efficient manner. The Public Protection staff manually check for expired licenses once every few months.

Recommendations

Appropriate Inspections, Permits and Licenses personnel should take necessary action to address the issues noted. Specific recommendations include the following.

- Background check requests should be sent to the City Records Center in a sealed envelope or hand delivered to the Records Center by a Public Protection employee. This will help ensure sensitive information is protected.
- The computerized system should be used to perform routine monitoring and queries. This would include presenting information for licenses nearing an expiration date. Additional training may be necessary for staff in order to efficiently use the computer

file system. This may provide a service to assist the timely maintenance of licenses, as well as, help Metro government to collect the related fees.

Department of Inspections, Permits and License Response

Our ABC Enforcement staff now utilizes all known available information sources when conducting all criminal background checks. No background checks are mailed, sent or received by either regular or inter-office mail. The ABC Investigator assigned completes all criminal background checks and the information related to that background check is maintained and secured with that investigator until the investigation has been completed. At that time all of the background investigation information is placed in the licensee's file. Any transfers of information are now hand carried by the ABC Investigator assigned to the criminal background investigation.

All armed security files are now in the mainframe computer permitting system, as well as a working database. These systems will be used to perform routine monitoring and query activities. All staff has received training on the computer systems currently being used for these purposes and activities.

Charitable Solicitation

Scope

Key Public Protection personnel were interviewed in order to review the operational administration of charitable solicitation licenses. This included the processing, records management, and monitoring associated with licensing administration.

Three licensee files were judgmentally selected from the period of January 1, 2002 through December 31, 2002. The review consisted of examining required processing forms and records management to determine the completeness and appropriateness of activity processed. The required processing forms reviewed were:

- Complete Jefferson County registration statement (application)
- Complete State registration statement
- Kentucky Attorney General Compliance Letter
- Contract with charitable organization
- Registration with Metro Revenue Commission
- Background checks

The following concerns were noted.

Observations

There were some minor problems noted with the administration of charitable solicitation activity. However, the overall internal control structure is satisfactory. Examples of concerns include the following.

- Certain documents are required by ordinance before professional solicitors and fundraising consultant applicants are approved for a license (e.g., registration statement (application), a letter of compliance from the Attorney General of Kentucky, proof of registration with the Louisville Metro Revenue Commission, and two background checks).
 - Current background checks were not present in any files examined.
 - One file did not contain the proof of registration with the Louisville Metro Revenue Commission.

Recommendations

Appropriate Inspections, Permits and Licenses personnel should take necessary action to address the issues noted. Specific recommendations include the following.

- Information contained in files, both computer and hardcopy, should be adequate to address routine reference needs. This includes specific licensee / business information, along with payment documentation.
- It may be beneficial to develop a checklist that notes all required documents for each file. This would provide personnel an effective method of verifying / reviewing files for completeness.

- Routine supervisory review should be performed to assess the completeness of files and the accuracy of the activity.

Department of Inspections, Permits and License Response

Procedures and processes have been changed to insure that all required information is contained in the licensee's file, as well as being on the mainframe permitting system. Checklists have been developed and are now being used to insure all necessary information is obtained and is included in the files. All applicant requirements are being met, including checking for proof of registration with the Louisville Metro Revenue Commission, which we can do through our computer system. Routine supervisory review is now being performed to insure completeness and accuracy of hard file and computer file information.

Adult Entertainment

Scope

Key Public Protection personnel were interviewed in order to review the operational administration of adult entertainment licenses. This included the processing, records management, and monitoring associated with licensing administration.

Three licensee files were judgmentally selected from the period of March 1, 2002 through August 31, 2002. The review consisted of examining required processing forms and records management to determine the completeness and appropriateness of activity processed. The required processing forms reviewed were:

- Complete application
- Background checks
- Registration with Metro Revenue Commission
- Proof of age

Establishment only:

- Zoning compliance
- Compliance with the Fire Marshall
- Compliance with Public Works
- Compliance with Public Health
- Photographs of all signs displayed on premises

The following concerns were noted.

Observations

There were some minor problems noted with the administration of adult entertainment activity. However, the overall internal control structure is satisfactory. Examples of concerns include the following.

- Certain documents are required by ordinance before adult entertainment establishment applicants are approved for a license (e.g., application, proof of age, and two background checks).
 - One case was noted in which current background checks were not present in the file.
 - In another case, proof of age was not present in the file.

Recommendations

Appropriate Inspections, Permits and Licenses personnel should take necessary action to address the issues noted. Specific recommendations include the following.

- Information contained in files, both computer and hardcopy, should be adequate to address routine reference needs. This includes specific licensee / business information, along with payment documentation.

- It may be beneficial to develop a checklist that notes all required documents for each file. This would provide personnel an effective method of verifying / reviewing files for completeness.
- Routine supervisory review should be performed to assess the completeness of files and the accuracy of the activity.

Department of Inspections, Permits and License Response

Procedures and processes have been changed to insure that all required information is contained in the licensee's file, as well as being on the mainframe permitting system. Checklists have been developed and are now being used to insure all necessary information is obtained and is included in the files. Routine supervisory review is now being performed to insure completeness and accuracy of hard file and computer file information.

In summary, at the same time the Office of Internal Audit was conducting this audit and making observations, we were discovering most of the same weaknesses in the Public Protection office activities and procedures and were taking steps to correct and improve those weaknesses as they were found. This occurred by our staff having the benefit of having experienced previous audits and knowing what the observations had been from those audits. We also benefited from having the mainframe licensing, permitting, cashier / depositor systems and our working knowledge of those systems. In addition, having very experienced and qualified staff, who knew how our former City of Louisville systems and application, licensing and filing policies, procedures and processes worked, and why they had to work that way, undoubtedly greatly assisted us in identifying weaknesses and gave us the ability to take immediate corrective action to begin changing activities and behaviors that had been determined to need change.

With the exception of the pending detailed policies and procedures development, which is a work in progress at this time and should be completed soon, it appears that every one of the other observations made by the auditors some corrective action has already been taken to improve the problem. Also, most of the recommendations made by Internal Audit to strengthen the weaknesses they observed had already been done, or were in the process of being done, by the time their report was completed. The remaining observations and recommendations will be in place soon with the completion of the former Jefferson County license renewals, which will cycle through in June and will be completed in July. Then a final draft of new policies and procedures will be completed and submitted for review and approval.



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